Netanyahu Worked Inside Nuclear Smuggling Ring

Counterespionage debriefing reveals how Israel targeted U.S.

by Grant Smith / July 04, 2012

On June 27, 2012, the FBI partially declassified and released seven additional pages [.pdf] from a 1985–2002 investigation into how a network of front companies connected to the Israeli Ministry of Defense illegally smuggled nuclear triggers out of the U.S.* The newly released FBI files detail how Richard Kelly Smyth — who was convicted of running a U.S. front company — met with Benjamin Netanyahu in Israel during the smuggling operation. At that time, Netanyahu worked at the Israeli node of the smuggling network, Heli Trading Company. Netanyahu, who currently serves as Israel's prime minister, recently issued a gag order that the smuggling network's unindicted ringleader refrain from discussing "Project Pinto."

As revealed in previously released FBI files and the tell-all book *Confidential: The Life of Secret Agent Turned Hollywood Tycoon Arnon Milchan*, the Hollywood producer was recruited into Israel's economic espionage division (LAKAM) in his 20s and learned how to establish front companies and secret bank accounts for smuggling operations. Arnon Milchan encouraged Smyth, a California engineer, to incorporate MILCO in 1972 and serve as a front for the Israel-based Heli Trading's (also known as Milchan Limited) acquisitions of sensitive military technologies on behalf of the Ministry of Defense. Smyth fled the U.S. after being indicted for violating the Arms Export Control Act in the mid-1980s. In July 2001, Smyth was arrested in Spain by Interpol and returned to the U.S., and in November, he was convicted of exporting 800 nuclear triggers (called krytrons).

FBI agents interviewed Smyth on April 16-17, 2002, at the U.S. attorney's office in Los Angeles. The secret interview report details how during a trip to Israel Smyth was "spotted" by Milchan, who claimed he worked as an exclusive purchasing agent for the Ministry of Defense. Smyth was introduced around to high military officials including then-general Ariel Sharon. Smyth was also put in contact with Benjamin Netanyahu, who worked at Heli Trading Company. According to the FBI report, "Smyth and [Netanyahu] would meet in restaurants in Tel Aviv and in [Netanyahu's] home and/or business. It was not uncommon for [Netanyahu] to ask Smyth for unclassified material."

Milchan pulled Smyth into his glamorous, star-studded movie circuit. "While in the United States [Smyth] met with [Milchan] numerous times in Los Angeles. ... Milchan and Smyth would have dinner frequently and would visit one another's house often ... it was quite common for [Milchan] to invite [Smyth] to various Hollywood parties and introduce [Smyth] to celebrities."

During the 2002 Smyth counterintelligence debriefing, the FBI learned that the Ministry of Defense ordered and paid Heli Trading for krytrons. Heli in turn sourced them from MILCO in a clandestine operation codenamed Project Pinto. The report reveals how MILCO illegally shipped prohibited articles under general Commerce Department export licenses rather than smuggling them out via Israeli diplomatic pouches. The last time Smyth saw Milchan was in 1985. The Ministry of Defense issued a burn notice on Smyth after discussions with U.S. officials about the krytron smuggling. According to the FBI report, "Shortly thereafter, [Smyth] fled the United States."

A March 2012 statement by the co-authors of *Confidential* claims that "Hollywood mega-producer and former secret agent Arnon Milchan has been asked directly by Israeli Prime Minister Benjamin Netanyahu and President Shimon Peres to avoid any public discussion of the book *Confidential*, asserting that the matter is too sensitive at this time." Although the book's authors point to the escalating tensions over Iran's nuclear program, Netanyahu's own hands-on involvement in nuclear weapons–related covert action against America is presumably a far more compelling reason for the gag order.

** The FBI referred an additional 164 pages of the Mandatory Declassification Review to another government agency — presumably the CIA — for further review. The additional pages will likely never be released. The CIA has refused requests for similar documents in order to preserve intelligence sources and methods abroad.*

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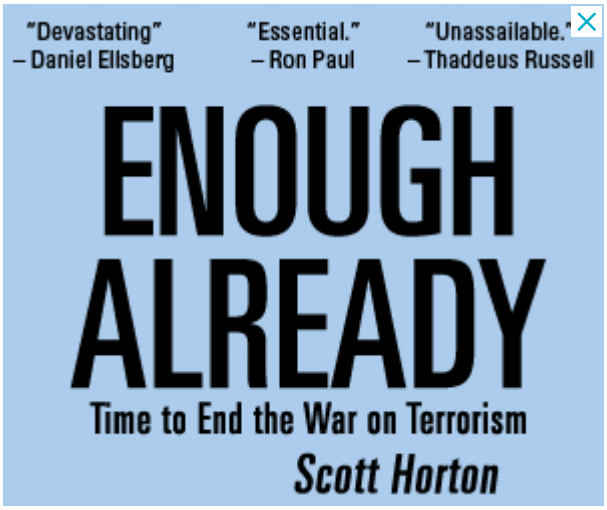

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